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United States Government Accountability Office
Washington, DC 20548

July 13, 2006

The Honorable Tom Coburn
Chairman
The Honorable Thomas Carper
Ranking Minority Member
Subcommittee on Federal Financial Management,
Government Information, and International Security
Committee on Homeland Security and Governmental Affairs,
United States Senate

On June 20, 2006, you requested that we respond to questions for the official record regarding the subcommittee's June 6, 2006 hearing, "Census 2010, Off-Line and Off Budget: The High-Cost of Low-Tech Counting." The following is our response to your questions. Because our response is based primarily on our previous work, we did not obtain comments from the Department of Commerce.

Responses to Questions for the Official Record from Chairman Coburn

1. GAO has raised serious concerns about the rising costs associated with implementing the decennial census. Do you believe that the \$11.3 billion estimate is accurate? If not, what do you believe is a more accurate cost estimate for the 2010 Census?

It is not possible to determine the validity of the Bureau's \$11.3 billion life-cycle cost estimate because it is not supported by timely or complete data. Without better information we are unable to verify that the estimate is accurate. Specifically, the Bureau's life-cycle cost estimate was last updated in September 2005, but the estimate does not reflect the most current information from the 2004 testing and evaluation procedures nor provide information on how changing assumptions may affect cost. In our June 6 testimony, we highlighted several risk factors, such as the reliability of the hand-held device and conducting operations in areas affected by hurricanes Katrina and Rita that could increase the life-cycle cost estimate beyond \$11.3 billion.

2. Why do you feel that it is so important for the Census Bureau to comply with GAO's recommendation to produce a master planning document for use by Congress and the public in evaluating the ten-year costs of the Census?

An operational plan that consolidates budget, methodological, and other relevant information about the 2010 Census into a single, comprehensive project plan that

could be updated as needed would help Congress oversee how the Bureau plans to spend funds to implement the 2010 Census. Such a document would inform Congress on where the Bureau \$11.3 billion estimate will go, as the bulk of the funds will be spent between fiscal years 2007 through 2013. In January 2004, we recommended that such a plan should include

- specific performance goals, how the Bureau's efforts, procedures and projects contribute to those goals, and what performance measures would be used;
 - risk and mitigation plans that fully address all significant potential risks;
 - detailed milestone estimates that identify all significant interrelationships; and
 - annually updated life-cycle cost estimates, including a sensitivity analysis, and an explanation of significant changes in the assumptions on which these costs are based.
3. Do you believe that the investment by the Census Bureau into the 500,000 hand-held devices will help it achieve savings over the 2000 Census costs? Or, do you believe it will cause costs to increase?

To help reduce the operational risk, increase the coverage and accuracy of the census, and contain costs, the Bureau has reengineered the decennial for 2010—an effort supported by GAO. One component of this effort is the short-form only census and use of hand-held devices. As we stated in our June 6 testimony, if these devices work as intended, they would allow the Bureau to automate operations and would save money by eliminating the need to print millions of paper maps and questionnaires used by census workers in the field. The devices could also allow the Bureau to remove late mail returns from enumerators' assignments. During the 2004 Census Test, the hand-held devices allowed the Bureau to successfully remove over 7,000 late mail returns, thereby reducing the nonresponse follow-up workload by nearly 6 percent. The ability to remove late mail returns from the Bureau's nonresponse follow-up workload reduces costs because census workers no longer need to make expensive follow-up visits to households that returned their questionnaire after the mail-back deadline.

However, in our view, if the devices fail to work, they could raise costs. As stated in our June 6 testimony, during the 2004 and 2006 tests, the hand-held device experienced technical difficulties, raising concerns about the Bureau's ability to collect and transmit data using the device. Thus, it is possible that if problems still persist after the Dress Rehearsal when a new device will be tested, additional funds may be required to fix those problems.

4. How likely do you believe it is that the hand-held devices will not work at all during the 2010 Census?

The new model of the hand-held device has not been tested; therefore, its effectiveness is not known. However, what is known is that previously the device did not function as intended, and the new device will not be tested until the 2008 Dress Rehearsal. If problems do emerge, little time will remain to develop, test, and incorporate refinements. This constitutes a risk to the cost-effective implementation of the 2010 census. Specifically, during the 2004 test of nonresponse follow-up and

the 2006 test of address canvassing, the hand-held devices experienced significant reliability problems. The Bureau has acknowledged that the hand-held device's performance is an issue but believes it will be addressed by a contract that was awarded on March 30, 2006 to develop a new device to be used for 2010. As stated before, this new hand-held device will not be tested until the 2008 Dress Rehearsal, leaving little time to address any significant problems.

5. What effect would it have on the cost of the Census for enumerators to resort to pencil and paper for the counting of households?

At this time, if the Bureau were to resort to pencil and paper to conduct nonresponse follow-up, we believe the cost of the 2010 census could likely increase because most of its procedures and systems are being designed around collecting census data in the field via the hand-held device. For example, some changes that would impact the cost would be (1) the need to print millions of paper questionnaires and maps; (2) the need to revise the requirements in the Decennial Response Integration System (DRIS) and field data collection and automation (FDCA) contracts to collect and scan data from paper rather than electronically; and (3) the loss of the Bureau's ability to electronically remove late mail returns on a daily basis. It is imperative that the latest model of the hand-held device that is being developed under the FDCA contract function as intended.

6. How feasible is it at this point to develop and implement an on-line census option by 2010?

As we testified on June 6, the Bureau did not develop a formal business case for removing the Internet option from the DRIS contract, and has not made a final decision on dropping this option entirely. Bureau officials stated, however, that if the Bureau decided to go forward with an option to respond to the census on-line, such a capability would be developed in-house. Without more information concerning the Bureau's decision or plans, we are unable to determine whether it will be feasible for the Bureau to develop and implement this option in-house.

As you know, initially the Bureau proposed to develop the use of the Internet under the DRIS contract awarded in October 2005. However, in May 2006, Bureau officials informed us that the Internet response option was no longer a contract requirement and that they are uncertain whether Internet response would even be an option for the 2010 Census. High-level Bureau officials explained that they made the decision to remove the Internet partly because of the potential risks associated with computer security attacks. In addition, according to a Bureau official, the Bureau's testing showed nothing to indicate that offering an Internet response option would improve overall response rates or save any money.

7. You mention in your testimony that the Census Bureau's technology contracts will cost around \$1.9 billion overall. How high do you believe the cost may go when the final cost is totaled?

The Bureau's \$1.9 billion estimate is for seven major decennial contracts, but to date only three contracts have been awarded. Thus, we do not have sufficient information

to determine the final cost for all seven contracts. The estimated cost of the three contracts that have been awarded total about \$1.3 billion: \$209 million for updating address and map files, more than \$500 million to develop and operate the DRIS, and \$600 million for the FDCA contract. As we stated in our June 6 testimony, it will be important for the Bureau to closely monitor all contracts. To date, the address and map contract awarded in June 2002 has operated on schedule and within budget. However, we have not reviewed the contract costs for the other two recently awarded DRIS and FDCA contracts. The four remaining contracts include the Data Access and Dissemination System (DADS II), the 2010 Communications contract for advertising, the 2010 Census printing contracts, and the Decennial Census office leases. Because the Bureau has not awarded these contracts we have little information on the individual costs of those contracts.

Thank you for the opportunity to participate in your June 6, 2006, hearing on the 2010 Census. Please contact me at (202) 512-6806, if you, other subcommittee members, or your staffs have additional questions or if we can provide additional help on these issues.

Sincerely yours,

A handwritten signature in black ink that reads "Brenda S. Farrell". The signature is written in a cursive, flowing style.

Brenda S. Farrell
Acting Director
Strategic Issues